

# INSTITUTE OF REGIONAL AND URBAN STUDIES

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DATE: July 24, 2003

TO: Budget Project Friends

FROM: Stephen Levy

SUBJECT: K-12 and Higher Education Enrollment Trends

1. California is beginning to experience a dramatic reversal in education enrollment trends. The rate of growth in K-12 enrollment will drop to near 0% in the next ten years, while higher education enrollments are projected to surge.

This memo summarizes enrollment projections prepared last year by the California Department of Finance (DOF) and briefly discusses the implications of changing enrollment trends for the budget and other public policy issues.

## 2. K-12 Enrollment

K-12 enrollment in California increased from 4.8 million in 1990 (the 1990-1991 school year) to 6.1 million in 2001 and is projected to reach 6.3 million in 2011. The latest DOF projections show K-12 enrollment peaking in the 2007-2008 school year and then falling slightly by 2011.

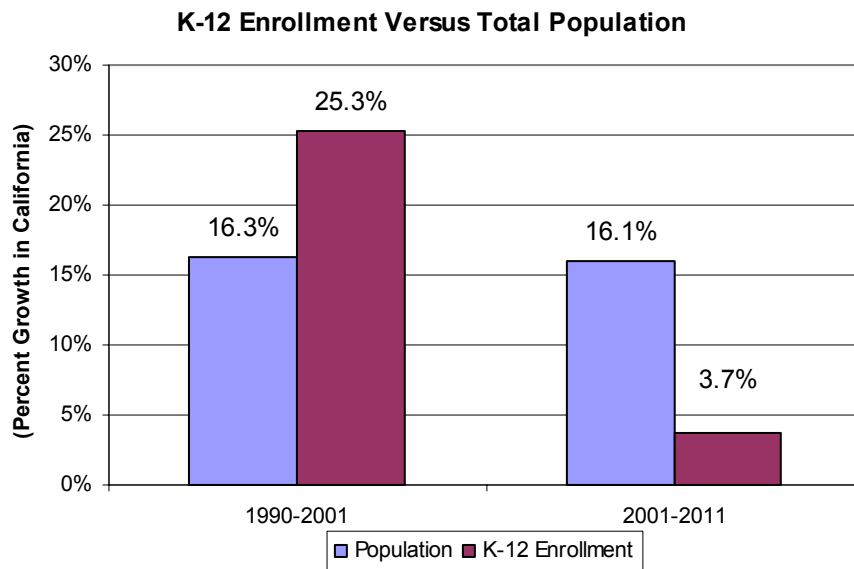
<b>California Enrollment Trends 1990 – 2011 (Thousands)</b>					
				<b>Percent Change</b>	
	<b>1990</b>	<b>2001</b>	<b>2011</b>	<b>1990-2001</b>	<b>2001-2011</b>
K-12	4,842.2	6,068.9	6,295.3	25.3%	3.7%
Higher Education	2,035.7	2,254.2	2,841.5	10.7%	26.0%
UC, CSU	522.7	567.6	751.4	8.6%	32.4%
Community Colleges	1,513.0	1,686.6	2,090.1	11.5%	23.9%

Source: California Department of Finance

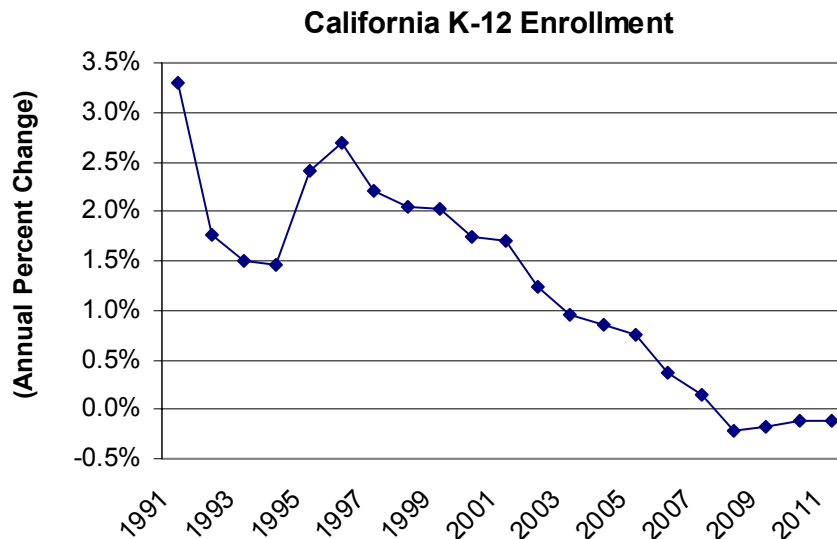
The K-12 enrollment projections are driven by the level of births and trends in migration to and from the state. The number of births and the number of children coming as immigrants reached record levels in the late 1980s and early 1990s. The number of births has fallen slightly since then and the number of immigrants has remained steady.

As a result, the number of children reaching school age surged in the late 1980s and early 1990s and has now begun to slow.

K-12 enrollment increased by 25.3% between 1990 and 2001, faster than the total population growth of 16.3%. Between 2001 and 2011, these trends will be reversed. K-12 enrollment is projected to grow by just 3.7%, while total population is projected to increase by 16.1%.



The annual growth rate for K-12 enrollment declines steadily between 1995 and 2008 and then levels off at close to 0%.



DOF will update these K-12 enrollment projections in late October 2003 and will publish them on the DOF Demographic Research Unit website shortly thereafter.

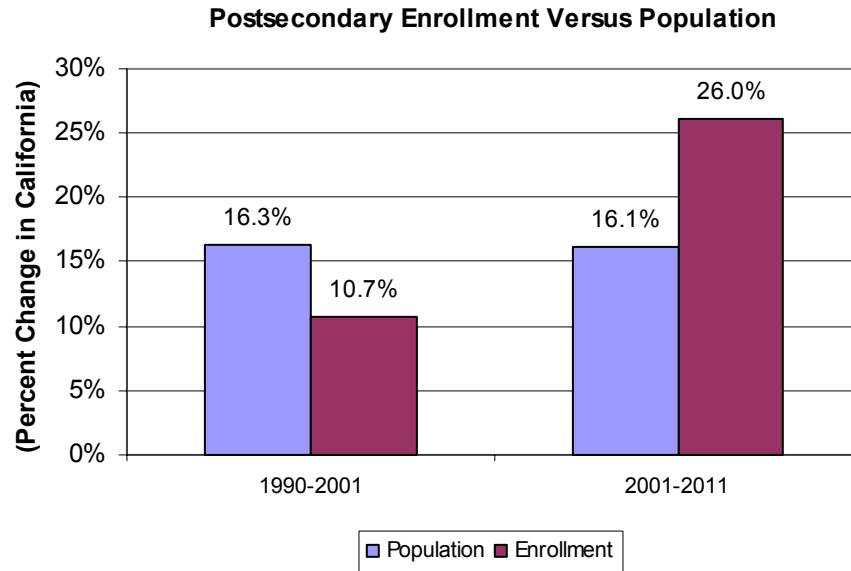
### 3. Higher Education Enrollment

The higher education enrollment projections are for the three segments of California's public higher education system — the University of California (UC), California State University (CSU) and the Community College system.

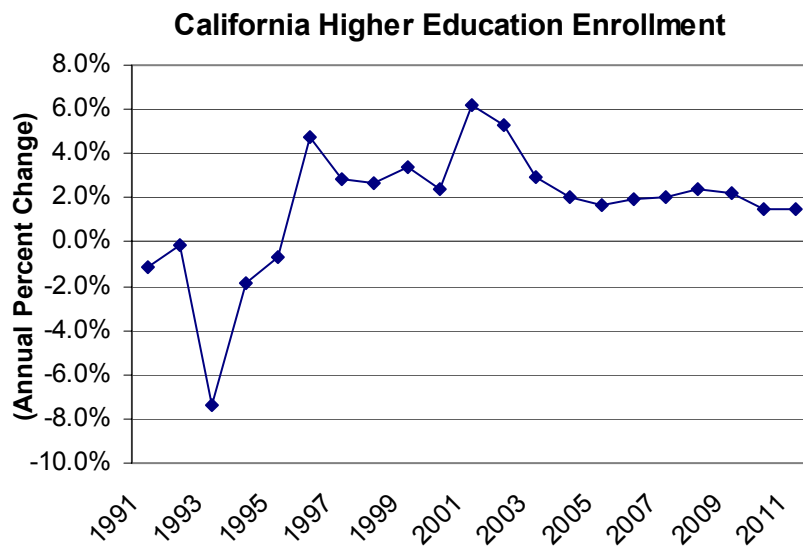
Higher education enrollment increased from 2.0 million in 1990 to nearly 2.3 million in 2001 and is projected to reach more than 2.8 million in 2011. The latest DOF projections show public postsecondary enrollment rising each year between now and 2011.

The postsecondary enrollment projections are driven by the projections of high school graduates and assumptions about the share of high school graduates who will attend California's public postsecondary schools.

Enrollments increased by 10.7% between 1990 and 2001, slower than the 16.3% gain in total population. Between 2001 and 2011, these trends will be reversed. Postsecondary enrollments are projected to increase by 26.0%, faster than the state's overall projected population growth of 16.1%.



The growth in public postsecondary enrollments in California is projected to be near 2% each year until 2011.



Community college enrollment accounted for 75% of total postsecondary enrollments in the 2001-2002 school year. As a result, community colleges are projected to see the largest numerical gain in enrollments. On a percentage basis, UC and CSU projected enrollment gains are slightly higher.

## **4. Potential Policy Implications**

### **Implications for K-12 Education Funding**

As I understand the current budget rules (Proposition 98) for education, K-12 funding grows according to changes in per capita income and enrollment. The legislature can add additional funds if they wish, but per capita income and enrollment growth provide the current floor for K-12 funding.

Two things will happen as the rate of enrollment growth falls. First, the overall formula-mandated spending growth for K-12 will fall for any given increase in per capita income because the enrollment growth factor will be less. K-12 spending growth will fall unless the state uses this opportunity to increase per pupil spending by more than the formula mandates.

For example, per capita income grew by 3.6% per year between 1990 and 2001. K-12 enrollment grew by 2.1% annually during the same period. The combination of these trends (other factors being equal) would produce a 5.8% annual growth in K-12 funding. Projected K-12 enrollment growth for 2001 - 2011 is 0.3% per year. As a result, if per capita income again grew by 3.6% annually, total K-12 funding growth would fall from 5.8% per year to 4.0% per year.

Second, the state share of K-12 funding is likely to fall because the local share depends on the growth in assessed valuation and property taxes, which will not fall as enrollment falls. Thus, the local share of K-12 funding will increase for most districts unless the state decides to raise per pupil spending more than the mandated minimum.

For example, assessed valuation grew by 4.5% per year between 1990 and 2001 and by 5.6% per year between 1995 and 2002. Either of these growth rates is higher than the projected 4.0% annual growth in per capita income and enrollment described above. If these trends actually happen, then the local share of K-12 funding will rise slightly and the state share will decline.

It is important for the state Department of Finance and Legislative Analyst's Office to begin discussing the budgetary implications and choices related to the upcoming slowing of K-12 enrollment growth. The projected trends are one potential bright spot in examining long-term state budget trends.

## **Implications for Higher Education Funding**

Funding for the UC and CSU systems are one of the few discretionary items in the state budget. Funding for community colleges is part of the complicated funding arrangements mandated under Proposition 98.

The projected high rates of growth for postsecondary enrollment raise two budget policy issues for California. One issue is planning for the steady enrollment increases projected for the UC and CSU systems. California's public university systems are a major plus for the state's economic competitiveness as well as providing comparatively affordable access to top quality higher education for residents. There will be strong pressures to fund the projected enrollment gains and options for funding these enrollment gains should be part of any long-term budget planning in California.

A second issue is making sure that the projected community college enrollment increases are funded given the complicated funding rules under Proposition 98.

## **Implications for Land Use Planning**

As overall K-12 enrollment growth slows, there will be more districts with level or declining enrollment. There will still be districts with growing enrollment and there will still be communities with new housing developments that require new school construction, but the balance between new construction and renovation will shift toward renovation as enrollment growth slows.

The relationship between school construction and renovation and local housing and land use policies is now the subject of concentrated focus in California. For example, see the work of the New Schools, Better Neighborhoods organization at [www.nsb.org](http://www.nsb.org).

The basic idea is to view schools as potential centers of community and to use the opportunities afforded by school construction and renovation to maximize the opportunities for combining school and community facilities. Since the K-12 enrollment surge of the past two decades is coming to an end, more and more of the state's school construction dollars will be spent on upgrading or replacing facilities in existing neighborhoods.

As a result, there will be increased opportunities for combining educational and community objectives.